

Message Text

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10

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-11 L-03 H-02 PA-01

PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

/108 W

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R 020950Z APR 76

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 1281

INFO AMEMBASSY MANILA

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FOR NAC AGENCIES; MANILA FOR USADB

E.O. 11652: N/A

TAGS: EAID, EFIN, BM

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE TO BURMA FOR PYINMANA
SUGAR MILL PROJECT

REF: MANILA 4196

1. SUMMARY. EMBASSY RECOMMENDS FAVORABLE NAC ACTION. HOWEVER, IN VIEW OF UNDERUTILIZATION OF EXISTING FACILITIES, BELIEVE PROPOSED STUDY SHOULD CONCENTRATE ON METHODS TO OBTAIN GREATER UTILIZATION OF PRESENT MILL CAPACITY RATHER THAN ATTEMPT TO JUSTIFY LOAN TO EXPAND EXISTING CAPACITY. STUDY SHOULD ALSO INCLUDE MEANS TO STRENGTHEN MANAGEMENT SYSTEM OF GUB ENTERPRISE RESPONSIBLE FOR SUGAR PRODUCTION. END SUMMARY.

2. EMBASSY CONCURS THAT NATURE OF PROPOSED PROJECT IS COMPLEX AND THAT CAREFUL PREPARATION AND FORMULATION NECESSARY. ADB HAS BEEN STUDYING SUGAR PROJECT IN BURMA FOR SEVERAL YEARS.
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NUMEROUS BANK MISSION HAVE VISITED BURMA TO EVALUATE THIS PRO-

JECT AND WE NOTE THAT ADB HAD SCALED DOWN ORIGINAL PROPOSAL WHICH INCLUDED REHABILITATION AND EXPANSION OF CAPACITY OF TWO SUGAR MILLS AT PYINMANA AND ZEYAWADDY AND FUNDING CONSTRUCTION OF NEW SUGARE MILL TO THE PRESENT PROPOSED FEASIBILITY STUDY FOR PYINMANA MILL.

3. LOW PER CAPITAL SUGAR CONSUMPTION IN COUNTRY WHICH IS COM-
ATICALLY WELL SUITED TO CANE GROWING INDICATES DEFINITE NEED
AND EXCELLENT POTENTIAL FOR INCREASED REFINED SUGAR PRODUCTION.
PYINMANA MILL LEAST INEFFICIENT AND BEST LOCATED OF BURMA'S SIX
SUGAR MILLS. THEREFORE, IT OFFERS PERHAPS BEST POSSIBILITY FOR
INCREASED OUTPUT. HOWEVER, BURMA'S PRESENT SUGAR MILLS IN-
CLUDING PYINMANA OPERATE FAR BELOW CAPACITY AS INDICATED BY
FOLLOWING DATA SUPPLIED BY GUB FOOD INDUSTRIES CORPORATION
(FIC):

SUGAR MILL ANNUAL CAPACITY: Refined sugar production

| | Refined Sugar Prod. | 1974-75 |
|-----------|---------------------|-------------|
| PYINMANA | 20,000 TONS | 12,856 TONS |
| ZEYAWADDY | 24,000 TONS | 5,442 TONS |
| NAMTI | 15,000 TONS | 492 TONS |
| SAHMAW | 10,000 TONS | 18 TONS |
| BILIN | 10,000 TONS | 2,536 TONS |
| INLE | 1,000 TONS | 80 TONS |
| TOTAL | 80,000 TONS | 21,451 TONS |

4. IN VIEW OF THIS APPARENT LACK OF CAPACITY UTILIZATION, EM-
BASSY WOULD HOPE PROPOSED STUDY OBJECTIVELY CONSIDERS WHETHER
EXPANSION OF EXISTING FACILITIES JUSTIFIED. BELIEVE IT SHOULD
GIVE FULL CONSIDERATION TO REVIEW OF CAPACITY UTILIZATION IN
BURMA'S SUGAR INDUSTRY, FOCUSING ON PYINMANA MILL; IDENTIFY
PRINCIPAL REASONS RESPONSIBLE FOR LOW LEVELS OF UTILIZATION; AND
DETERMINE SCOPE FOR IMPROVING UTILIZATION OF EXISTING CAPACITY.
IT SHOULD ALSO CAREFULLY EXAMINE ORGANIZATION AND MANAGEMENT
STRUCTURE OF GUB ENTERPRISE RESPONSIBLE FOR SUGAR PRODUCTION
WITH SPECIAL REFERENCE TO DEGREE OF AUTONOMY AND RESPONSIBILITY
OF MANAGEMENT; PRICING POLICY; PROFITABILITY AND ACCOUNTING; AND
PERSONNEL RECRUITMENT AND DEVELOPMENT.

5. IF THESE PRECEPTS ARE ADDED TO TERMS OF REFERENCE STATED
IN ADB DOC. R26-76, PROPOSED STUDY COULD MAKE DEFINITE CON-
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TRIBUTION TOWARD INCREASING BURMA'S SUGAR OUTPUT AND EMBASSY
RECOMMENDS FAVORABLE NAC ACTION.
OSBORN

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